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SECTOR COMPETITIVENESS FRAMEWORKS EDUCATION AND TRAINING SERVICES HIGHLIGHTS

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HIGHLIGHTS

In the emerging global knowledge-based economy, intellectual capital has displaced natural resources as a primary determinant of economic strength and competitiveness.

Canada's education and training services industry can play an important role in helping Canadians acquire the knowledge and skills needed to find jobs in this new economy.

CHARACTERISTICS

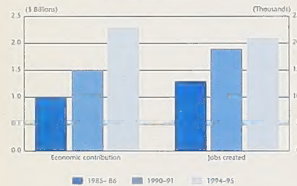
- The education and training services (ETS) industry is a heterogeneous sector comprising many specialized small and medium-sized enterprises (SMEs), training arms of companies in other sectors (such as equipment suppliers and consulting engineering firms), and training supplied by public colleges and universities on a contractual basis. It has developed historically to respond to the supplementary skills training needs of businesses and individuals.

- Very little comparable data on this sector exist, particularly on private ETS suppliers. Since more than 55 percent of known firms have been established since 1984, the industry is still considered young. A 1992 profile developed for Industry, Science and Technology Canada (now Industry Canada) indicates that among the 3 000 or more ETS suppliers, almost two thirds have five or fewer employees. Most of the private suppliers have headquarters in Ontario, British Columbia or Quebec.

- Because of the sector's focus on job-related training and skills upgrading, its services are highly marketable both at home and abroad. The main areas of expertise include executive and management development training, computer-related training, and supervisory, communications, sales, marketing and professional technical training. There are no reliable estimates of overall industry revenues, but it appears that almost half (46 percent) the private suppliers export their services, mainly to the United States and Europe.

- Although the sector has world-class expertise in training delivery and product development, the many small firms predominating in the industry often lack sufficient capital to make large or long-term investments in product and staff development. In addition, the sector tends to have little expertise in business, marketing and distribution.

Economic Impact of International Students in Canada



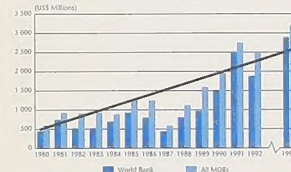
Source: Department of Foreign Affairs and International Trade, International Students Data Project Report, 1995

TRENDS AND ISSUES

- The basic tools of the industry are undergoing a radical change with the development of new media learning materials (NMLM), which encompass computer software and courseware content, including multimedia and interactive programs, applied to computer-based training.
- The flexibility and potential for timeliness inherent in NMLM open new markets for suppliers. These new tools enable what can be called just-in-time training, allowing training suppliers to supplement their traditional classroom and module-based programs with individually targeted packages whose interactive capabilities can give trainees and learners greater control over their learning and faster access to the materials they need. NMLM adds considerable power and value to education and training programs offered through distance education and the Internet.

- Education and training services firms, particularly SMEs, find it difficult to attract capital and to secure loans and lines of credit. The banking and investment communities have been uncertain about how to value the intellectual assets represented by courses, curriculum packages and software. Solid sales records and successful strategic alliances among education and training providers are helping educate the financial community.

Education Lending by Multilateral Development Banks



*1993-1994 data not available.

Source: Development Bank Associates, The Development Bank Business Market (Washington, D.C.: Development Bank Associates, 1993), pp. 139 and 141 for 1982-92; and Industry Canada estimates based on data provided by the World Bank for 1993 and MDI data.

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Sector Competitiveness Frameworks are a new series of documents produced by Industry Canada in collaboration with Canada's key industry stakeholders. Each framework will examine a major Canadian industry sector, and will be prepared in two volumes. *Part 1 — Overview and Prospects* focusses on the opportunities, both domestic and international, as well as on the challenges facing industry sectors in Canada. *Part 2 — Framework for Action* will be based on discussions with major industrial stakeholders, following study and review of the *Overview and Prospects*.

The objective of the **Sector Competitiveness Frameworks** series is to seek ways in which government and private industry together can strengthen Canada's competitiveness and, in doing so, generate jobs and growth.

In all, some 30 industrial sectors will be analyzed. Electronic copies of documents in the series are available on the Internet at the following address: <http://strategis.ic.gc.ca/scf>

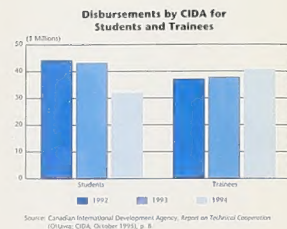
■ Because most Canadian SMEs cannot afford to hire training staff, and because of the proliferation of new skills requirements at all levels from equipment maintenance and operation to organizational management, the market for independent suppliers is growing. Foreign education and training services suppliers and international demand for training have sharpened competition. As a result, specialized education and training services firms have begun to develop strategic links with other industry sectors and to enter into strategic alliances in order to gain more effective market presence.

■ Clients both in Canada and abroad find it difficult to identify with confidence who speaks reliably for the sector from a national perspective, or which suppliers provide consistent, high-quality services. They must rely on individual contacts and experience for their information.

■ Australia, France and the United Kingdom, in contrast, have definite strategies, policies and industry associations that provide a framework for the industry, and particularly for international marketing.

■ Although U.S. providers exist in a less-structured environment, they nevertheless operate in a more strategic fashion, and have strong coordinated marketing support. Better organization of the sector in Canada is a challenge that needs to be addressed.

■ Internationally, demand for education and training will continue to grow, especially in the primary, secondary, technical/applied skills and informal markets. The Canadian International Development Agency (CIDA), the International Financial Institutions (IFIs, which include the World Bank and the other multilateral development banks) and the European Commission have committed billions of dollars to training, retraining and education. Ten percent of World Bank lending (\$2.9 billion in 1995), for example, now goes toward education and training. Canadian firms have benefited from some of these investments, often as subcontractors, but increasingly as partners in consortia and strategic alliances bidding for principal project contracts. This trend is expected to continue for the foreseeable future.



THE BOTTOM LINE

- The sector is of critical importance in Canada's transition to a knowledge-based economy. A strong and vibrant training sector will play a key role in the transfer of knowledge and expertise to Canadian industry. By exporting its services, it will also make a significant contribution in helping meet the skills needs of emerging economies, and help them reach their own jobs and growth objectives.
- The following issues must be addressed by government and industry:
 - An acknowledgment of the value of cooperation in doing business at home and abroad is necessary. Education and training firms must work together in a more coordinated fashion and adopt more

effective and cost-efficient approaches to doing business. Firms will greatly benefit from an increase in strategic alliances and partnerships. Small firms will need to combine their resources and expertise with those of other organizations, including the public sector. Success will depend on more effective consortia-building based on stronger linkages with a number of key sectors, including the financial sector.

- Continued and concerted efforts by various levels of government and by industry must be undertaken to develop better systems or indicators to provide a reliable measure of quality. A system of quality assurance will be essential to build credibility for the industry on both domestic and international markets.
- Canadian firms must keep at the leading edge in their application of advanced training technologies. They will need to ensure that the skills they provide to their clients are keeping pace with technological developments. The industry's ongoing growth will depend to a large extent on its ability to use new technologies in the delivery of training services.

- Trainers need to concentrate on the development of their business skills, and will need to have a thorough knowledge of the issues faced by their clients. Business skills are necessary to the development of a solid client base and to educating purchasers about the value and benefits of investing in human capital.
- Additional research and data are needed to provide support to government policies and products intended to help foster the growth of the education and training industry. Statistics Canada must continue to improve its collection and reporting of the education and training industry data. Data and information on the sector are critical to demonstrating the importance of the sector as a contributor to Canada's economic growth.

For further information concerning the subject matter contained in these Highlights, please contact:

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